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BIWEEKLY REPORT

**SINO-SOVIET BLOC
ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

EIC-WGR 1/137

8 May 1961

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
21 April - 4 May 1961

25X1 The USSR has publicly offered to construct a steel mill for Iran and also to give further economic and technical aid. [REDACTED]

Projects associated with the first stage of construction of the Aswan High Dam are somewhat behind schedule. Although a number of ancillary facilities have been constructed and about 150 Soviet technicians are at the scene, only 200,000 tons of rock of the 500,000 tons planned had been removed from the diversion canal by the end of 1960.

Poland has extended a credit of \$14 million to Ghana for economic development. A credit of the same amount reportedly has been offered to Ghana by Hungary.

Ceylon has approved another project to be implemented under the Soviet \$30 million line of credit that was accepted in February 1958 -- a cold-storage plant for fruit and vegetables to be constructed at Kandy. Recent reports also indicate that further progress may soon be made under the Chinese Communist aid program in Ceylon.

The Bloc reportedly is considering the establishment of a unified agency to channel and coordinate its economic assistance to India.

On 18 April, Communist China agreed to extend a credit of \$30 million to Indonesia for the construction of a spinning mill, a weaving mill, a plant to manufacture spare parts for weaving machinery, and a shop to repair such parts. The credit is to be repaid over a period of 12 years.

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. Middle East

A. Soviet Offers of Aid to Iran

The Soviet Ambassador to Iran told the press in Tehran on 7 April that the USSR is prepared to construct a steel mill and to give further economic and technical aid. [REDACTED]

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As in the past, the Soviet tactic of offering generous amounts of aid in public and then setting a high price in private is designed to create the impression that only the Shah's pro-Western policy prevents Iran from enjoying substantial Soviet aid. Although Iran has previously refused such offers, both the Shah and the Prime Minister have long wanted a steel mill. A preliminary contract for an installation of this kind was signed with the West German firm Demag-Krupp in June 1960, but it was subsequently blocked by the objections of the United States and the IBRD to the heavily padded costs and short-term financing arrangements. Kaiser Engineering Corporation is now doing a feasibility study of the project. If US or other Free World financing is not forthcoming for at least a small rolling mill and if the USSR does not insist on Iran's withdrawal from CENTO or set other stringent conditions, the Soviet offer will be extremely attractive to the Iranians.

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* Although the main emphasis of the Biweekly Report is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

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III. Asia

A. Implementation of Bloc Aid Projects in Ceylon

The Government of Ceylon has approved another project to be implemented under the Soviet \$30 million line of credit that was accepted in February 1958. The new project, which is the eighth item to be approved to date for inclusion under the credit agreement, will be a cold-storage plant with a capacity of 200 tons of fruit and vegetables to be constructed at Kandy. The total cost of the plant is estimated to be \$210,000, of which the Ceylonese Government will provide at least \$52,000 to cover local expenditures. The remainder of the cost will be met by the USSR, which will provide the equipment and some of the materials for the plant. The Ceylonese Government also has announced that it will proceed with work on a flour-mill and grain-elevator project that was previously approved. A site has been selected in Colombo rather than at Galle as originally planned. The flour mill will have an annual capacity of 70,000 tons of wheat, and the grain elevator will have a storage capacity of 20,000 tons of grain. Soviet experts are reported to be in Ceylon to complete the project survey that was based on preliminary investigations at Galle. [REDACTED]

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According to press reports, the Ceylonese Ministry of Transport and Works has made arrangements under which it may be possible

* Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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